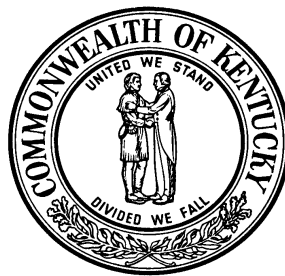


**REPORT OF THE AUDIT OF THE  
GRANT COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2010**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Darrell L. Link, Grant County Judge/Executive

Members of the Grant County Fiscal Court

The enclosed report prepared by Blue & Company, LLC, presents the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Grant County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements.

We engaged Blue & Company, LLC, to perform the audit of these financial statements. We worked closely with the firm during our report review process; Blue & Company, LLC evaluated Grant County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts

Enclosure





**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**GRANT COUNTY FISCAL COURT**

**June 30, 2010**

Blue & Co., LLC has completed the audit of the Grant County Fiscal Court for fiscal year ended June 30, 2010. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Grant County, Kentucky.

**Financial Condition:**

The Fiscal Court had total net assets of \$9,062,225 as of June 30, 2010. The fiscal court had unrestricted net assets of \$4,777,459 in its governmental activities as of June 30, 2010, with total net assets of \$8,949,159. In its business-type activities, total net cash and cash equivalents were \$111,066 with total net assets of \$113,066. The Fiscal Court had total debt principal as of June 30, 2010 of \$22,465,000 with \$980,000 due within the next year.

**Report Comments:**

- 2010-01 The County Should Ensure That All Employee Timesheets Are Signed By The Employee And Supervisor Review And Approval Is Documented
- 2010-02 The County Should Ensure That The Treasurer Receives An Annual Report From The Jailer Of The Receipts And Disbursements Of The Jail Canteen Fund In Accordance With Kentucky Revised Statute (KRS) 441.135(2)

**Deposits:**

The fiscal court and component units' deposits were insured and collateralized by bank securities or bonds.



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### APPENDIX A:

CERTIFICATION OF COMPLIANCE – LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM







Blue & Co., LLC / 301 East Main Street, Suite 1100 / Lexington, KY 40507  
main 859.253.1100 fax 859.253.1384 email blue@blueandco.com

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Darrell L. Link, Grant County Judge/Executive  
Members of the Grant County Fiscal Court

### Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grant County, Kentucky as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Grant County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Grant County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grant County, Kentucky, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The County has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Darrell L. Link, Grant County Judge/Executive  
Members of the Grant County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grant County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2011, on our consideration of Grant County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

- 2010-01 The County Should Ensure That All Employee Timesheets Are Signed By The Employee And Supervisor Review And Approval Is Documented
- 2010-02 The County Should Ensure That The Treasurer Receives An Annual Report From The Jailer Of The Receipts And Disbursements Of The Jail Canteen Fund In Accordance With Kentucky Revised Statute (KRS) 441.135(2)

Respectfully submitted,

*Blue & Co., LLC*

February 22, 2011

**GRANT COUNTY OFFICIALS**

For The Year Ended June 30, 2010

**Fiscal Court Members:**

Darrell Link	County Judge/Executive
Richard Austin	Magistrate
Brian Linder	Magistrate
Bobby Young	Magistrate

**Other Elected Officials:**

Joe Taylor	County Attorney
Steven Kellam	Former Jailer
Terry Peeples	Jailer
Leatha Conrad	County Clerk
Shirley Wilson	Circuit Court Clerk
C.E. Dills, II	Sheriff
Angela McLafferty	Property Valuation Administrator
Marylee Willoby	Coroner

**Appointed Personnel:**

Peggy Updike	County Treasurer
Evalene Davis	Deputy Judge Executive
Steve Tatum	Road Supervisor
Connie McClure	County Finance Officer

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**GRANT COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**  
**June 30, 2010**



**GRANT COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2010**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 8,045,778	\$ 111,066	\$ 8,156,844
Interest Receivable (Corinth Water Distric	8,479		8,479
Notes Receivable (Waterlines)	120,000		120,000
Total Current Assets	8,174,257	111,066	8,285,323
Noncurrent Assets:			
Notes Receivable (Waterlines)	900,000		900,000
Capital Assets - Net of Accumulated Depreciation			
Construction In Progress	13,841,068		13,841,068
Land and Land Improvements	1,006,252		1,006,252
Buildings	5,518,175		5,518,175
Machinery and Equipment	570,539		570,539
Vehicles and Equipment	315,859	2,000	317,859
Infrastructure	1,088,009		1,088,009
Total Noncurrent Assets	23,239,902	2,000	23,241,902
Total Assets	31,414,159	113,066	31,527,225
<b>LIABILITIES</b>			
Current Liabilities:			
Revenue Bonds Payable	860,000		860,000
Refunding Bonds Payable	120,000		120,000
Total Current Liabilities	980,000		980,000
Noncurrent Liabilities:			
Revenue Bonds Payable	20,585,000		20,585,000
Refunding Bonds Payable	900,000		900,000
Total Noncurrent Liabilities	21,485,000		21,485,000
Total Liabilities	22,465,000		22,465,000
<b>NET ASSETS</b>			
Invested in Capital Assets,			
Net of Related Debt	3,170,402	2,000	3,172,402
Restricted For:			
Debt Service	1,001,298		1,001,298
Unrestricted	4,777,459	111,066	4,888,525
Total Net Assets	\$ 8,949,159	\$ 113,066	\$ 9,062,225

The accompanying notes are an integral part of the financial statements.

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**GRANT COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2010**

**GRANT COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 3,340,231	\$ 40,451	\$ 1,998,799	\$
Protection to Persons and Property	2,864,437	3,037,183	263,562	
General Health and Sanitation	565,373	25,154	548,545	
Social Services	44,245			
Recreation and Culture	589,040	14,882		
Roads	1,060,461		1,200,820	
Transportation Facilities and Services	6,000			
Interest on Long-term Debt	808,242			
Total Governmental Activities	9,278,029	3,117,670	4,011,726	
Business-type Activities:				
Jail Canteen	291,223	266,530		
Total Business-type Activities	291,223	266,530		
Total Primary Government	\$ 9,569,252	\$ 3,384,200	\$ 4,011,726	\$ 0

**General Revenues:**

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Franchise Taxes

Transient Room Taxes

Other Taxes

Excess Fees

Miscellaneous Revenues

Interest

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**GRANT COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2010**  
**(Continued)**

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (1,300,981)	\$	\$ (1,300,981)
436,308		436,308
8,326		8,326
(44,245)		(44,245)
(574,158)		(574,158)
140,359		140,359
(6,000)		(6,000)
(808,242)		(808,242)
(2,148,633)		(2,148,633)
	(24,693)	(24,693)
	(24,693)	(24,693)
(2,148,633)	(24,693)	(2,173,326)
1,467,162		1,467,162
71,960		71,960
214,185		214,185
123,622		123,622
92,281		92,281
107,467		107,467
52,187		52,187
543,727		543,727
168,987	1,131	170,118
2,841,578	1,131	2,842,709
692,945	(23,562)	669,383
8,256,214	136,628	8,392,842
\$ 8,949,159	\$ 113,066	\$ 9,062,225

The accompanying notes are an integral part of the financial statements.

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**GRANT COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2010**

**GRANT COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2010**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Public Properties Corporation Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,915,022	\$ 503,236	\$ 173,132	\$ 1,001,298
Total Assets	<u>3,915,022</u>	<u>503,236</u>	<u>173,132</u>	<u>1,001,298</u>
<b>FUND BALANCES</b>				
Reserved for:				
Encumbrances	6,392	8,494	4,252	
Debt Service Fund				1,001,298
Unreserved:				
General Fund	3,908,630			
Special Revenue Funds		494,742	168,880	
Capital Projects Fund				
Total Fund Balances	<u>\$ 3,915,022</u>	<u>\$ 503,236</u>	<u>\$ 173,132</u>	<u>\$ 1,001,298</u>

The accompanying notes are an integral part of the financial statements.

**GRANT COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2010**  
**(Continued)**

<b>Public Properties Construction Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<u>\$ 2,275,500</u>	<u>\$ 177,590</u>	<u>\$ 8,045,778</u>
<u>2,275,500</u>	<u>177,590</u>	<u>8,045,778</u>

		19,138
		1,001,298
		3,908,630
	177,590	841,212
<u>2,275,500</u>	<u>177,590</u>	<u>2,275,500</u>
<u>\$ 2,275,500</u>	<u>\$ 177,590</u>	<u>\$ 8,045,778</u>

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 8,045,778
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Interest Receivable Used in Governmental Activities Are Not Current Financial Resources And Therefore Are Not Reported In The Funds.	8,479
Notes Receivable Used in Governmental Activities Are Not Current Financial Resources And Therefore Are Not Reported In The Funds.	1,020,000
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported In The Funds.	25,567,797
Accumulated Depreciation	(3,227,895)
Long-term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not Reported In The Funds.	
Refunding Bonds	(1,020,000)
Revenue Bonds	(21,445,000)
Net Assets Of Governmental Activities	<u>\$ 8,949,159</u>

The accompanying notes are an integral part of the financial statements.

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**GRANT COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

**GRANT COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Public Properties Corporation Fund</b>
<b>REVENUES</b>				
Taxes	\$ 2,076,677	\$	\$	\$
Excess Fees	52,187			
Licenses and Permits	83,017			
Intergovernmental	1,630,030	1,129,159	2,970,422	
Charges for Services	36,937		78,311	
Miscellaneous	331,853	85,187	114,445	
Interest	47,160	2,645	1,235	29,593
Total Revenues	<u>4,257,861</u>	<u>1,216,991</u>	<u>3,164,413</u>	<u>29,593</u>
<b>EXPENDITURES</b>				
General Government	1,637,359			
Protection to Persons and Property	241,537		2,613,923	
General Health and Sanitation	423,992			
Social Services	44,245			
Recreation and Culture	673,620			
Roads		982,266		
Other Transportation Facilities and Services				
Debt Service	1,152,083			145,896
Capital Projects	302,100			
Administration	860,434	115,568	677,565	1,915
Total Expenditures	<u>5,335,370</u>	<u>1,097,834</u>	<u>3,291,488</u>	<u>147,811</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,077,509)</u>	<u>119,157</u>	<u>(127,075)</u>	<u>(118,218)</u>
<b>Other Financing Sources (Uses)</b>				
Bond Sale Proceeds	1,020,000			
Bond Discount	(9,588)			
Transfers Out	(750,300)		(568,507)	
Transfers In			750,000	568,507
Total Other Financing Sources (Uses)	<u>260,112</u>	<u></u>	<u>181,493</u>	<u>568,507</u>
Net Change in Fund Balances	(817,397)	119,157	54,418	450,289
Fund Balances - Beginning	4,732,419	384,079	118,714	551,009
Fund Balances - Ending	<u>\$ 3,915,022</u>	<u>\$ 503,236</u>	<u>\$ 173,132</u>	<u>\$ 1,001,298</u>

The accompanying notes are an integral part of the financial statements.

**GRANT COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2010**  
**(Continued)**

<b>Public Properties Construction Fund</b>	<b>Total Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$ 1,357	\$ 2,078,034
		52,187
		83,017
1,227,675	71,661	7,028,947
	69	115,317
		531,485
87,709	645	168,987
<u>1,315,384</u>	<u>73,732</u>	<u>10,057,974</u>
		1,637,359
	1,721	2,857,181
		423,992
		44,245
		673,620
	5,503	987,769
	6,000	6,000
1,227,675		2,525,654
5,422,676		5,724,776
8,069		1,663,551
<u>6,658,420</u>	<u>13,224</u>	<u>16,544,147</u>
<u>(5,343,036)</u>	<u>60,508</u>	<u>(6,486,173)</u>
		1,020,000
		(9,588)
		(1,318,807)
	300	1,318,807
	<u>300</u>	<u>1,010,412</u>
(5,343,036)	60,808	(5,475,761)
7,618,536	116,782	13,521,539
<u>\$ 2,275,500</u>	<u>\$ 177,590</u>	<u>\$ 8,045,778</u>

The accompanying notes are an integral part of the financial statements.

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**GRANT COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**



**GRANT COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

Net Change in Fund Balances - Total Governmental Funds	\$ (5,475,761)
<p>Amounts Reported For Governmental Activities In The Statement Of Activities Are Different Because Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement Of Activities, The Cost Of Those Assets Are Allocated Over Their Estimated Useful Lives And Reported As Depreciation Expense.</p>	
Capital Outlay	5,832,756
Depreciation Expense	(284,050)
<p>Governmental Funds Reports Cost Related To Refunding Financing Obligations As Expenditures And Other Financing Uses. However, In The Statement Of Activities Those Costs Have No Effect On Expenses. Those Costs Increase Receivables Included In Net Assets.</p>	
Expenditures And Other Financing Uses Increasing Receivables Due From Water Districts	59,000
<p>Governmental Funds Reports Amounts Collected On Receivables As Revenues, However, In The Statement Of Activities the Amount Collected On Receivables Has No Effect On Revenues. The Amount Collected Reduces Receivables Included In Net Assets.</p>	
Waterlines Amount For Debt Service on Financing Obligation Collected	(87,000)
<p>Bond Proceeds Are A Current Financial Resource To Governmental Funds While Financing Obligation And Bond Principal Payments Are Expense In The Governmental Funds As A Use Of Current Financial Resources. However, These Transactions Have No Effect On Net Assets</p>	
Refunding Bond Proceeds	(1,020,000)
Financing Obligations Principal Payments	1,048,000
Bond Principal Payments	<u>620,000</u>
Change In Net Assets Of Governmental Activities	<u><u>\$ 692,945</u></u>

The accompanying notes are an integral part of the financial statements.

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**GRANT COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2010**



**GRANT COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2010**

	<b>Business-Type Activities</b> <hr/> <b>Enterprise Fund</b> <hr/> <b>Jail Canteen Fund</b> <hr/>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 111,066
Total Current Assets	<hr/> 111,066 <hr/>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	43,189
Less Accumulated Depreciation	<hr/> (41,189) <hr/>
Total Noncurrent Assets	<hr/> 2,000 <hr/>
Total Assets	<hr/> 113,066 <hr/>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	2,000
Unrestricted	<hr/> 111,066 <hr/>
Total Net Assets	<hr/> \$ 113,066 <hr/>

The accompanying notes are an integral part of the financial statements.

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**GRANT COUNTY  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2010**



**GRANT COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

	<b>Business - Type Activities Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 266,530
Total Operating Revenues	<u>266,530</u>
<b>Operating Expenses</b>	
Cost of Sales	55,165
Educational and Recreational	7,059
Personnel Costs	4,122
Work Program	22,948
Miscellaneous	<u>201,929</u>
Total Operating Expenses	<u>291,223</u>
Operating Loss	<u>(24,693)</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest Income	<u>1,131</u>
Total Nonoperating Revenues (Expenses)	<u>1,131</u>
Change In Net Assets	(23,562)
Total Net Assets - Beginning	<u>136,628</u>
Total Net Assets - Ending	<u><u>\$ 113,066</u></u>

The accompanying notes are an integral part of the financial statements.

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**GRANT COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2010**



**GRANT COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

	<b>Business - Type</b> <b>Activities</b> <hr/> <b>Enterprise</b> <b>Fund</b> <hr/>	<b>Jail</b> <b>Canteen</b> <hr/> <b>Fund</b> <hr/>
<b>Cash Flows From Operating Activities</b>		
Receipts From Customers	\$ 266,530	
Payments To Employees	(4,122)	
Payments To Vendors	<u>(287,101)</u>	
Net Cash (Used) In Operating Activities	<u>(24,693)</u>	
<b>Cash Flows From Noncapital Financing Activities</b>		
Interest Income	<u>1,131</u>	
Net Cash Provided by Noncapital Financing Activities	<u>1,131</u>	
Net Decrease in Cash and Cash Equivalents	(23,562)	
Cash and Cash Equivalents - July 1, 2009	<u>134,628</u>	
Cash and Cash Equivalents - June 30, 2010	<u><u>\$ 111,066</u></u>	
<b>Reconciliation Of Operating Loss To</b>		
<b>Net Cash (Used) In Operating</b>		
<b>Activities</b>		
Operating Loss	<u>\$ (24,693)</u>	
Net Cash (Used) In Operating		
Activities	<u><u>\$ (24,693)</u></u>	

The accompanying notes are an integral part of the financial statements.

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**GRANT COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2010**



**GRANT COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2010**

	<u><b>Agency Fund</b></u>
	<b>Jail</b>
	<b>Inmate</b>
	<u><b>Account</b></u>
<b>Assets</b>	
Current Assets:	
Cash	\$ 36,447
Total Assets	<u>36,447</u>
<b>Liabilities</b>	
Amounts Held in Custody for Others	<u>36,447</u>
Total Liabilities	<u>36,447</u>
<b>Net Assets</b>	
Total Net Assets	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**GRANT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

Grant County Fiscal Court (the County) presents its government-wide and fund financial statements in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenue when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the County to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and their corresponding depreciation expenses are included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Grant County include the funds, agencies, boards, and entities for which the Fiscal Court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the County is financially accountable or the organization's exclusion would cause the County's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The County has no discretely presented component units.

Blended Component Unit

The following legally separate organization provides services exclusively to the primary government and the Fiscal Court is able to impose its will on this organization. This organization's balances and transactions are reported as though it is part of the County's primary government using the blended method.

**GRANT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Grant County Public Properties Corporation**

The Grant County Public Properties Corporation is established for the purpose of providing long-term financing for approved projects. The Grant County Fiscal Court is financially accountable for the component unit as part of the reporting entity and its financial activity is blended with that of the Fiscal Court.

**C. Grant County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Grant County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the Fiscal Court, various cities, and special districts within the County, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Grant County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The primary government reports the governmental activities, business-type activities and proprietary funds using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid, except for the recognition of depreciation expense on the statement of activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

**GRANT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The Fiscal Court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the governmental funds using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenditures are recognized when paid.

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

**Jail Fund** - The primary purpose of this fund is to account for the jail expenses of the County. The primary sources of revenue for this fund are reimbursements from the state and federal government, payment from other counties for housing prisoners and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

**GRANT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Public Properties Corporation Fund - This is for the accumulation of resources for, and the payment of general long-term debt principal and interest associated with the construction of the jail and jail addition. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

Public Properties Construction Fund - This is for the accumulation of resources, and the payment of construction costs, long-term debt principal and interest associated with the construction of the Grant County Judicial Center. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund and Forest Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, and Forest Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Debt Service Fund:**

The Public Properties Corporation Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**Capital Project Fund:**

The Public Properties Construction Fund is presented as a capital projects fund. Capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements on Interpretations issued after November 30, 1989 unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

**GRANT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Proprietary Funds (Continued)**

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the County Treasurer the receipts and disbursements of the Jail Canteen Fund.

**Fiduciary Funds**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The County's agency fund is used to account for monies held by the county in the Inmate Account Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Inmate Account Fund - This fund accounts for funds received from the inmates.

**E. Use of Estimates**

The preparation of financial statements in conformity with modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**F. Deposits and Investments**

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from date of acquisition.

KRS 66.480 authorizes the County to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**GRANT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Capital Assets**

Capital assets which include land, land improvements, buildings, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Capital asset expenditures in the governmental funds are not capitalized in the fund financial statements. Instead, capital outlay is reflected as an expenditure of the respective governmental fund.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Buildings and Building Improvements	\$ 25,000	10-75
Infrastructure	\$ 10,000	10-50
Machinery and Equipment	\$ 5,000	3-25
Intangibles	\$ 5,000	5-15

**H. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**I. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent the Fiscal Court's intended use of the resources and should reflect actual plans approved by the Fiscal Court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, such as debt service and encumbrances.

**GRANT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. Fund Equity (Continued)**

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the Fiscal Court incurs no liability until performance has occurred on the part of the party with whom the Fiscal Court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet-Governmental Funds as part of the fund balance.

**J. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Public Properties Corporation Fund and the Public Properties Construction Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund Type to comply with these requirements.

The State Local Finance Officer does not require the Jail Canteen Fund and the Jail Inmate Agency Fund to be budgeted because the Fiscal Court does not approve the expenses made from these funds.

**Note 2. Deposits**

The County maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met; however, approval was not reflected in the minutes of the board or committee.

**Custodial Credit Risk - Deposit**

Custodial Credit Risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. The County does not have a policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**GRANT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2010, was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 886,252	\$ 120,000	\$	\$ 1,006,252
Construction In Progress	8,418,392	5,422,676		13,841,068
Total Capital Assets Not Being Depreciated	9,304,644	5,542,676		14,847,320
Capital Assets, Being Depreciated:				
Buildings	6,566,500	277,100		6,843,600
Machinery and Equipment	1,220,389	12,980		1,233,369
Vehicles and Equipment	1,435,990			1,435,990
Infrastructure	1,207,518			1,207,518
Total Capital Assets Being Depreciated	10,430,397	290,080		10,720,477
Less Accumulated Depreciation For:				
Buildings	(1,228,382)	(97,043)		(1,325,425)
Machinery and Equipment	(599,048)	(63,782)		(662,830)
Vehicles and Equipment	(1,018,696)	(101,435)		(1,120,131)
Infrastructure	(97,719)	(21,790)		(119,509)
Total Accumulated Depreciation	(2,943,845)	(284,050)		(3,227,895)
Total Capital Assets, Being Depreciated, Net	7,486,552	6,030		7,492,582
Governmental Activities Capital Assets, Net	<u>\$ 16,791,196</u>	<u>\$ 5,548,706</u>	<u>\$ 0</u>	<u>\$ 22,339,902</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 43,189	\$	\$	\$ 43,189
Total Capital Assets Being Depreciated	43,189			43,189
Less Accumulated Depreciation For:				
Vehicles and Equipment	(41,189)			(41,189)
Total Accumulated Depreciation	(41,189)			(41,189)
Total Capital Assets, Being Depreciated, Net	2,000			2,000
Business-Type Activities Capital Assets, Net	<u>\$ 2,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,000</u>



**GRANT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government and business-type activities as follows:

Governmental Activities:

General Government	\$ 39,321
Protection to Persons and Property	7,256
General Health and Sanitation	141,381
Recreation and Culture	10,420
Roads, Including Depreciation of General Infrastructure Assets	<u>85,672</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 284,050</u>

Business-Type Activities

Jail Canteen	\$ <u>          </u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 0</u>

**Note 4. Long-Term Debt**

**A. Kentucky Area Development Districts Financing Lease Acquisition Program**

The Grant County Public Properties Corporation issued \$910,000 First Mortgage Revenue Bonds dated August 1995, for the construction of a jail. In December of 2005, the Grant County Public Properties Corporation refunded the Series 1995 bonds with the proceeds related to its participation in the Kentucky Area Development Districts Financing Trust Lease Acquisition Program (the Lease). Principal payments are due each year on July 1. Interest at rates ranging from 3.40% to 4.50% on the bonds is payable each July 1 and January 1, and began on January 1, 2006. The principal balance outstanding for the Lease as of June 30, 2010 was \$260,000. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 50,000	12,425
2012	55,000	10,256
2013	55,000	7,919
2014	<u>150,000</u>	<u>3,375</u>
Totals	310,000	33,975
Less: Payments		
Due July 2010		
Paid June 2010	<u>50,000</u>	<u>6,713</u>
Total Outstanding June 30, 2010	<u>\$ 260,000</u>	<u>\$ 27,262</u>

**GRANT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 4. Long-Term Debt (Continued)**

**A. Kentucky Area Development Districts Financing Lease Acquisition Program (Continued)**

The Lease is secured by a first and prior security interest in any and all right, title and interest of the County in the portions of the project that constitute personal property and in all additions, attachments, accessions, and substitutions thereto and on any proceeds there from.

**B. First Mortgage Revenue Bonds, Series 1998**

The Grant County Public Properties Corporation (the Corporation) issued \$7,775,000; First Mortgage Revenue Bonds dated August 1998, for the construction of a jail addition. Principal payments are due each year on July 1, in the amounts indicated below starting July 1, 2000. Interest at rates ranging from 4.60% to 4.75% on the bonds is payable each July 1 and January 1, beginning January 1, 1999. The principal balance outstanding for this bond issue as of fiscal year ended June 30, 2010, was \$5,690,000. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 265,000	\$ 261,883
2012	275,000	249,390
2013	290,000	236,319
2014	305,000	222,443
2015	320,000	207,755
2016-2020	1,855,000	792,143
2021-2025	2,380,000	294,055
Total Outstanding June 30, 2010	<u>\$ 5,690,000</u>	<u>\$ 2,263,988</u>

The Corporation entered into an annually renewable lease, dated August 1, 1998, wherein the County shall lease from the Corporation the project and project site at an agreed rental, the proceeds of which will be used to pay principal and interest on the bonds. The bonds are secured by a foreclosable first mortgage lien on the site of the portion of the project as described in the Official Statement and by the assignment by the Corporation of all the Corporation's right, title and interest in the lease with the County.

**GRANT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 4. Long-Term Debt (Continued)**

**C. First Mortgage Revenue Bonds, Series 2007**

The Grant County Public Properties Corporation issued \$16,615,000; First Mortgage Revenue Bonds dated December 1, 2007, for the construction of the Grant County Judicial Center. Principal payments are due each year on December 1, in the amounts indicated below starting December 1, 2008. Interest at rates ranging from 4.00% to 4.50% on the bonds is payable each June 1 and December 1, beginning June 1, 2008. The principal balance outstanding for this bond issue as of fiscal year ended June 30, 2010, was \$15,495,000. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	595,000	641,375
2012	620,000	617,075
2013	645,000	591,775
2014	670,000	565,475
2015	700,000	538,075
2016-2020	3,945,000	2,238,875
2021-2025	4,850,000	1,332,463
2026-2028	3,470,000	238,950
Total Outstanding June 30, 2010	<u>\$ 15,495,000</u>	<u>\$ 6,764,063</u>

The Grant County Public Properties Corporation (Corporation), Grant County Fiscal Court and the Administrative Office of the Courts (AOC) entered into a lease agreement dated December 1, 2007, wherein AOC shall lease from the Corporation the new judicial center at an agreed rental which is anticipated to be adequate to pay no less than 100% of the principal and interest on the bonds. The bonds are secured by a foreclosable first mortgage lien on the project and by the assignment by the Corporation of all the Corporation's right, title and interest in the lease with AOC.

**D. Waterlines - Bullock Pen Phase III**

Grant County entered into an agreement with KACoLT for the construction of waterlines for the Bullock Pen – Phase III Water Expansion Project. A total of \$1,500,000 was awarded to Grant County during fiscal year ended June 30, 1995. The agreement calls for Grant County to make annual payments beginning September 1995, and ending January 20, 2019. Interest is paid monthly at an effective rate of 5.45 percent. In May 2010, the County paid the outstanding balance on the agreement with the proceeds from the General Obligation Refunding Bonds, Series 2010 (see section F).

**GRANT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 4. Long-Term Debt (Continued)**

**E. Waterlines – Bullock Pen Phase IV**

Grant County entered into an agreement with KACoLT for the construction of waterlines for the Bullock Pen Water Expansion Project – Phase IV. A total of \$336,000 was awarded to Grant County. The agreement calls for Grant County to make annual payments beginning October 1996, and ending February 2016. Interest is paid monthly at an effective rate of 5.10 percent. In May 2010, the County paid the outstanding balance on the agreement with the proceeds from the General Obligation Refunding Bonds, Series 2010 (see section F).

**F. General Obligations Refunding Bonds, Series 2010**

Grant County issued \$1,020,000 General Obligation Refunding Bonds, Series 2010 dated May 2010 for the purpose of refunding and retiring the County's lease agreements with KACoLT (see above sections D and E). Principal payments are due each year on February 1, in amounts indicated below starting February 1, 2011. Interest at rates ranging from 1.00% to 3.30% on the bonds is payable each February 1 and August 1, beginning August 1, 2010.

The current refunding reduces total debt service payments over the next 9 years by approximately \$109,000. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$104,000.

The principal balance outstanding for the bond issue as of June 30, 2010 was \$1,020,000. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 120,000	\$ 17,368
2012	115,000	22,218
2013	120,000	20,608
2014	120,000	18,568
2015	120,000	16,168
2016-2019	425,000	32,210
Total Outstanding June 30, 2010	<u>\$ 1,020,000</u>	<u>\$ 127,140</u>

The agreements listed above were subsequently sub-leased to the applicable water district (see below Section H). The districts make monthly payments to the county for the debt service requirements in accordance with the sub-lease agreements. The bonds are general obligations of the County and the full faith, credit and taxing power of the County is irrevocably pledged to the payment of principal and interest on the bonds when due.

**GRANT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 4. Long-Term Debt (Continued)**

**G. Changes In Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 22,065,000	\$	\$ 620,000	\$21,445,000	\$ 860,000
Financing Obligations	1,048,000		\$1,048,000		
Refunding Bonds		1,020,000		1,020,000	120,000
Governmental Activities Long-term Liabilities	<u>\$ 23,113,000</u>	<u>\$ 1,020,000</u>	<u>\$ 1,668,000</u>	<u>\$22,465,000</u>	<u>\$ 980,000</u>

**H. Changes In Notes Receivable (Waterlines)**

Notes receivable (Waterlines) activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Water Districts	<u>\$ 1,048,000</u>	<u>\$ 59,000</u>	<u>\$ 87,000</u>	<u>\$ 1,020,000</u>	<u>\$ 120,000</u>
Governmental Activities Notes Receivable (Waterlines)	<u>\$ 1,048,000</u>	<u>\$ 59,000</u>	<u>\$ 87,000</u>	<u>\$ 1,020,000</u>	<u>\$ 120,000</u>

**Note 5. Insurance**

For the fiscal year ended June 30, 2010, Grant County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**GRANT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 6. Interest Receivable**

On March 31, 1994, the Fiscal Court, on behalf of the Corinth Water District, entered into an agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the construction of rural waterlines. The agreement required variable annual payments for twenty-five years. The Fiscal Court made the required principal and interest payments to KACoLT and then collected the required principal and interest payments from the Corinth Water District. The entire remaining principal balance was received from the Corinth Water District and paid by the Fiscal Court in June 2005. As of the June 30, 2010, the Corinth Water District owed an additional \$8,479 in interest payments to the Fiscal Court for scheduled interest that was paid by the Fiscal Court on their behalf.

**Note 7. Employee Retirement System**

The County has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The County's contribution rate for nonhazardous employees was 16.16 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the KRS insurance fund. The County's contribution rate for hazardous employees was 32.97 percent.

The county's contribution for FY 2008 was \$528,462, FY 2009 was \$502,670, and FY 2010 was \$509,518.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**GRANT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 8. Subsequent Events**

Grant County issued \$5,475,000 General Obligation Refunding Bonds, Series 2010B dated September 2010 for the purpose of refunding and retiring the County's First Mortgage Revenue Bonds (Detention Facilities Project), Series 1998 and First Mortgage Revenue Bonds, Series 2005 (see Note 4 sections A and B). Principal payments are due each year on July 1, in amounts indicated below starting January 1, 2011. Interest at rates ranging from .40% to 2.70% on the bonds is payable each January 1 and July 1, beginning January 1, 2011. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 15,000	\$ 27,010
2012	380,000	103,735
2013	385,000	101,050
2014	390,000	97,175
2015	390,000	92,885
2016-2020	2,070,000	355,038
2021-2023	1,845,000	98,210
Totals	<u>\$ 5,475,000</u>	<u>\$ 875,103</u>

Construction on the Grant County Judicial Center (See Note 4 section C) was completed in April 2010 construction cost paid subsequent to June 30, 2010 totaled approximately \$1,410,000.

**Note 9. Recent GASB Pronouncement**

The County has not currently determined what, if any, effect implementation of the following statement may have on the financial statement:

GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," issued March 2009, is effective for periods beginning after June 15, 2010. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories. This statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

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**GRANT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Cash Basis**

**For The Year Ended June 30, 2010**



**GRANT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Cash Basis**

**For The Year Ended June 30, 2010**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 2,039,000	\$ 2,039,000	\$ 2,076,677	\$ 37,677
Excess Fees	3,508	3,508	52,187	48,679
Licenses and Permits	101,500	101,500	83,017	(18,483)
Intergovernmental Revenue	1,489,425	1,917,925	1,630,030	(287,895)
Charges for Services	8,000	8,000	36,459	28,459
Miscellaneous	288,150	288,150	331,853	43,703
Interest	75,000	75,000	47,160	(27,840)
Total Revenues	<u>4,004,583</u>	<u>4,433,083</u>	<u>4,257,383</u>	<u>(175,700)</u>
<b>EXPENDITURES</b>				
General Government	1,689,166	1,815,852	1,637,359	178,493
Protection to Persons and Property	486,324	495,056	241,537	253,519
General Health and Sanitation	473,837	492,114	423,992	68,122
Social Services	48,550	48,550	44,245	4,305
Recreation and Culture	402,835	676,158	673,620	2,538
Debt Service	141,570	141,671	141,671	
Capital Projects		302,100	302,100	
Administration	1,048,825	931,619	825,668	105,951
Total Expenditures	<u>4,291,107</u>	<u>4,903,120</u>	<u>4,290,192</u>	<u>612,928</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(286,524)</u>	<u>(470,037)</u>	<u>(32,809)</u>	<u>437,228</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>(970,470)</u>	<u>(970,470)</u>	<u>(750,300)</u>	<u>220,170</u>
Total Other Financing Sources (Uses)	<u>(970,470)</u>	<u>(970,470)</u>	<u>(750,300)</u>	<u>220,170</u>
Net Changes in Fund Balance	(1,256,994)	(1,440,507)	(783,109)	657,398
Fund Balance - Beginning	<u>1,256,994</u>	<u>1,442,094</u>	<u>4,637,353</u>	<u>3,195,259</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 1,587</u>	<u>\$ 3,854,244</u>	<u>\$ 3,852,657</u>

**GRANT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Cash Basis**  
**For The Year Ended June 30, 2010**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 945,958	\$ 1,098,327	\$ 1,129,159	\$ 30,832
Miscellaneous	1,275	1,275	85,187	83,912
Interest	3,500	3,500	2,645	(855)
Total Revenues	950,733	1,103,102	1,216,991	113,889
<b>EXPENDITURES</b>				
Roads	818,749	991,749	982,266	9,483
Administration	131,984	118,068	115,568	2,500
Total Expenditures	950,733	1,109,817	1,097,834	11,983
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		(6,715)	119,157	125,872
Net Changes in Fund Balance		(6,715)	119,157	125,872
Fund Balance - Beginning			384,079	384,079
Fund Balance - Ending	\$ 0	\$ (6,715)	\$ 503,236	\$ 509,951

**GRANT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Cash Basis**  
**For The Year Ended June 30, 2010**  
**(Continued)**

<b>JAIL FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 2,813,313	\$ 2,813,313	\$ 2,970,422	\$ 157,109
Charges for Services	137,400	137,400	78,311	(59,089)
Miscellaneous	123,500	123,500	114,445	(9,055)
Interest	1,000	1,000	1,235	235
Total Revenues	<u>3,075,213</u>	<u>3,075,213</u>	<u>3,164,413</u>	<u>89,200</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	2,737,358	2,705,771	2,613,923	91,848
Debt Service	593,320			
Administration	715,005	746,592	677,565	69,027
Total Expenditures	<u>4,045,683</u>	<u>3,452,363</u>	<u>3,291,488</u>	<u>160,875</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(970,470)</u>	<u>(377,150)</u>	<u>(127,075)</u>	<u>250,075</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out		(593,320)	(568,507)	24,813
Transfers In	970,470	970,470	750,000	(220,470)
Total Other Financing Sources (Uses)	<u>970,470</u>	<u>377,150</u>	<u>181,493</u>	<u>(195,657)</u>
Net Changes in Fund Balance			54,418	54,418
Fund Balance - Beginning			<u>118,714</u>	<u>118,714</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 173,132</u>	<u>\$ 173,132</u>

**GRANT COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2010**

**1. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**2. Reconciliation – General Fund**

Fund Balance - Budgetary Basis	\$ 3,854,244
Addition: Parks Revolving Balance	478
Addition: Payroll Revolving Balance	<u>60,300</u>
Fund Balance - Modified Cash Basis	<u><u>\$ 3,915,022</u></u>
Charges for Services - Budgetary Basis	\$ 36,459
Addition: Change in Parks Revolving Balance	<u>478</u>
Charges for Services - Modified Cash Basis	<u><u>\$ 36,937</u></u>
Administration Expenditures - Budgetary Basis	\$ 825,668
Addition: Change in Payroll Revolving Balance	<u>34,766</u>
Administration Expenditures - Modified Cash Basis	<u><u>\$ 860,434</u></u>
Debt Service - Budgetary Basis	\$ 141,671
Addition: Interest Paid With Bond Proceeds	5,142
Addition: Principal Paid With Bond Proceeds	961,000
Addition: Cost of Issuance Paid With Bond Proceeds	<u>44,270</u>
Debt Service - Modified Cash Basis	<u><u>\$ 1,152,083</u></u>
Bond Sale Proceeds - Budgetary Basis	\$
Addition: Bond Proceeds	<u>1,020,000</u>
Bond Sale Proceeds - Modified Cash Basis	<u><u>\$ 1,020,000</u></u>
Bond Discount - Budgetary Basis	\$
Subtraction: Bond Discount	<u>(9,588)</u>
Bond Discount - Modified Cash Basis	<u><u>\$ (9,588)</u></u>

**GRANT COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2010**





**GRANT COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2010**

	<b>Local Government Economic Assistance Fund</b>	<b>Forest Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 177,514	\$ 76	\$ 177,590
Total Assets	<u>177,514</u>	<u>76</u>	<u>177,590</u>
<b>FUND BALANCES</b>			
Unreserved:			
Special Revenue Funds	177,514	76	177,590
Total Fund Balances	<u>\$ 177,514</u>	<u>\$ 76</u>	<u>\$ 177,590</u>

The accompanying notes are an integral part of the financial statements.

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**GRANT COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2010**



**GRANT COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2010**

	<b>Local Government Economic Assistance Fund</b>	<b>Forest Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>			
Taxes	\$	\$ 1,357	\$ 1,357
Intergovernmental	71,661		71,661
Charges for Services		69	69
Interest	642	3	645
Total Revenues	<u>72,303</u>	<u>1,429</u>	<u>73,732</u>
<b>EXPENDITURES</b>			
Protection to Persons and Property		1,721	1,721
Roads	5,503		5,503
Other Transportation Facilities and Services	6,000		6,000
Total Expenditures	<u>11,503</u>	<u>1,721</u>	<u>13,224</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>60,800</u>	<u>(292)</u>	<u>60,508</u>
Other Financing Sources (Uses)			
Transfers In		300	300
Total Other Financing Sources (Uses)		<u>300</u>	<u>300</u>
Net Change in Fund Balances	60,800	8	60,808
Fund Balances - Beginning	116,714	68	116,782
Fund Balances - Ending	<u>\$ 177,514</u>	<u>\$ 76</u>	<u>\$ 177,590</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**







Blue & Co., LLC / 301 East Main Street, Suite 1100 / Lexington, KY 40507  
main 859.253.1100 fax 859.253.1384 email blue@blueandco.com

The Honorable Darrell L. Link, Grant County Judge/Executive  
Members of the Grant County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grant County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated February 22, 2011. Grant County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grant County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grant County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Grant County Fiscal Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comments and recommendations as item 2010-01 to be a material weakness.

Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Grant County's financial statements as of and for the year ended June 30, 2010, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations as item 2010-02.

The Grant County Judge/Executive's and the Jailer's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Judge/Executive and Jailer's responses and, accordingly, we express no opinion on them.

We noted certain other matters that we reported to management of Grant County Fiscal Court in the exit conference on February 22, 2011.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Blue & Co., LLC*

February 22, 2011

**GRANT COUNTY  
COMMENTS AND RECOMMENDATIONS**

**For the Year Ended June 30, 2010**



**GRANT COUNTY  
COMMENTS AND RECOMMENDATIONS**

**Fiscal Year Ended June 30, 2010**

INTERNAL CONTROL - MATERIAL WEAKNESS

2010-01 The County Should Ensure That All Employee Timesheets Are Signed By The Employee And Supervisor Review And Approval Is Documented

The auditor noted during the course of our engagement several instances where an employee did not sign their timesheets and/or timesheets without documentation of review/approval by a supervisor. We recommend the county establish a process whereby employees are required to sign their timesheets and proper review and approval is documented on the timesheets by the employee's supervisor prior to payment.

*County Judge/Executive Darrell L. Link's Response: All department employees and supervisors have been informed to sign and review all time cards.*

*Jailer Terry Peeple's Response: I have spoken with the Human Resources Manager and informed her that all time cards require signatures and will not be submitted until the signature is provided.*

COMPLIANCE AND OTHER MATTERS

2010-02 The County Should Ensure That The Treasurer Receives An Annual Report From The Jailer Of The Receipts And Disbursements Of The Jail Canteen Fund In Accordance With KRS 441.135(2)

The auditor noted during our engagement the County Treasurer did not receive an annual report from the Jailer for the year ended June 30, 2010. Per KRS 441.135(2). The Jailer shall provide an annual report of the receipts and disbursements of the Jail Canteen Fund to the County Treasurer.

We recommend the Jailer submit an annual report of the receipts and disbursements of the Jail Canteen Fund to the County as required by KRS 441.135(2).

*Jailer Terry Peeple's Response: To correct this issue, I have instructed the Canteen Officer to submit this report at the end of each fiscal year.*

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**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**GRANT COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2010**





CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
GRANT COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2010

The Grant County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in black ink, appearing to read "D. L. Z. A.", written over a horizontal line.

County Judge/Executive

A handwritten signature in blue ink, appearing to read "Jerry Updike", written over a horizontal line.

County Treasurer

